

HOUSE BILL No. 2078

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-22.

Synopsis: Income tax credit for inventory taxes paid. Provides a refundable income tax credit for a percentage of property tax paid on inventory.

Effective: January 1, 2002.

Turner

January 17, 2001, read first time and referred to Committee on Ways and Means.

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First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

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HOUSE BILL No. 2078



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-22 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2002]:

4 **Chapter 22. Inventory Tax Credit**

5 **Sec. 1. As used in this chapter, "inventory" has the meaning set**
6 **forth in IC 6-1.1-3-11.**

7 **Sec. 2. As used in this chapter, "property tax" means the tax**
8 **imposed on property under IC 6-1.1. However, the term does not**
9 **include any interest or a penalty imposed under IC 6-1.1.**

10 **Sec. 3. As used in this chapter, "state income tax liability"**
11 **means a taxpayer's total income tax liability incurred under**
12 **IC 6-2.1 and IC 6-3, as computed after the application of all credits**
13 **that under IC 6-3.1-1-2 are to be applied before the credit provided**
14 **by this chapter.**

15 **Sec. 4. (a) A taxpayer is entitled to a refundable credit against**
16 **the taxpayer's state income tax liability for a taxable year equal to**
17 **the product of:**



- 1 (1) the appropriate percentage specified in subsection (b), as
- 2 adjusted under subsection (c); multiplied by
- 3 (2) the amount of property taxes paid on inventory by the
- 4 taxpayer during the taxable year.

5 (b) The credit a taxpayer may claim for inventory against the
 6 taxpayer's state income tax liability for a taxable year is calculated
 7 under subsection (a) using the lesser of the percentage determined
 8 under subsection (c) or the percentage set forth for the calendar
 9 year in the following table:

10 CALENDAR YEAR IN	PERCENT OF
11 WHICH INVENTORY	INVENTORY TAXES
12 TAXES ARE PAID	ALLOWED AS A CREDIT
13 2002	8.3%
14 2003	18.9%
15 2004	29.2%
16 2005	39.7%
17 2006 and thereafter	50%

18 (c) Before November 1 of each year, the department of state
 19 revenue, with the assistance of the state board of tax
 20 commissioners, shall determine the inventory tax credit percentage
 21 that will result in the largest aggregate total of tax credits allowed
 22 under this chapter for the ensuing calendar year that does not
 23 exceed the following:

- 24 (1) For property taxes first due and payable in 2002, thirty
- 25 million dollars (\$30,000,000).
- 26 (2) For property taxes first due and payable in 2003, sixty-eight
- 27 million dollars (\$68,000,000).
- 28 (3) For property taxes first due and payable in 2004, one
- 29 hundred five million dollars (\$105,000,000).
- 30 (4) For property taxes first due and payable in 2005, one
- 31 hundred forty-three million dollars (\$143,000,000).
- 32 (5) For property taxes first due and payable in 2006 and each
- 33 calendar year after 2006, one hundred eighty million dollars
- 34 (\$180,000,000).

35 The department of state revenue shall publish the inventory tax
 36 credit percentage determined under this subsection for a calendar
 37 year in the Indiana Register and in the instructions for the
 38 appropriate state tax forms.

39 (d) If a taxpayer pays property taxes in two (2) different calendar
 40 years during the taxpayer's same taxable year, the taxpayer, to
 41 compute the inventory tax credit for the taxable year, shall apply
 42 the appropriate percentage specified under subsection (b) or (c) for

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1 each calendar year to the property taxes paid in each calendar
2 year.

3 (e) If the amount computed by a taxpayer under this section for
4 a taxable year exceeds the amount of the taxpayer's state tax
5 liability for the same taxable year, the taxpayer is entitled:

6 (1) to a refund of the excess; or

7 (2) to carry the excess over to the taxpayer's immediately
8 following taxable year and to use the excess as a credit to
9 reduce the taxpayer's state income tax liability for that taxable
10 year.

11 **Sec. 5.** Each partnership (except a corporate partnership) and
12 each corporation described in IC 6-3-2-2.8(2) shall, for each
13 taxable year, allocate among its partners or shareholders an
14 amount equal to the amount of personal property tax paid on
15 inventory by the partnership or corporation during the taxable
16 year. The partnership or corporation shall make the allocation in
17 the same manner that it allocates income among its partners or
18 shareholders. The amount allocated to each partner or shareholder
19 shall be treated as having been paid by the partner or shareholder
20 during that taxable year.

21 **Sec. 6.** An income tax credit provided by this chapter must be
22 claimed by a taxpayer on the taxpayer's annual state income tax
23 return in the manner prescribed by the department.

24 **Sec. 7.** The state board of tax commissioners and local property
25 tax officials shall verify information related to the credit provided
26 by this chapter when requested by the department.

27 **Sec. 8.** The department shall apply a credit to which a taxpayer
28 is entitled under this chapter in the following order:

29 (1) Against the taxpayer's gross income tax liability (IC 6-2.1)
30 for the taxable year.

31 (2) Against the taxpayer's adjusted gross income tax liability
32 (IC 6-3-1 through IC 6-3-7) for the taxable year.

33 (3) Against the taxpayer's supplemental net income tax liability
34 (IC 6-3-8) for the taxable year.

35 **SECTION 2.** [EFFECTIVE JANUARY 1, 2002] (a) IC 6-3.1-22, as
36 added by this act, applies only to taxable years that begin after
37 December 31, 2001.

38 (b) Notwithstanding IC 6-3.1-22-4, as added by this act, the
39 department of state revenue shall determine the inventory tax
40 credit percentage required by IC 6-3.1-19-4(c), as added by this
41 act, for property taxes first due and payable in 2002, before
42 November 2, 2001.



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